

## Message Text

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PAGE 01 QUITO 03528 142155Z

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 /014 W  
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P 142130Z MAY 76  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC PRIORITY 149  
USDOC WASHDC PRIORITY  
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3528

E.O. 11652: GDS  
TAGS: BENC EFIN EC  
SUBJ: PORT EXPANSION PROJECT--ARYMOND INTERNATIONAL

REFS: (A) GUAYAQUIL 0793 (B) STATE 109266

1. EMBASSY URGES USDOC AND STATE TO CONTACT RAYMOND OFFICIALS AND REQUEST THEM TO SEEK SOME MEANS OTHER THAN RENEGING ON BID IN ORDER TO OVERCOME THE ALLEGED PROBLEM RE SOILS.

2. SHOULD BE POINTED OUT TO RAYMOND THAT THEIR RENEGE WILL SEVERELY DAMAGE THEIR REPUTATION NOT ONLY IN ECUADOR, AND THAT GOE UNDOUBTEDLY WOULD INDEED DO ALL POSSIBLE TO BAD-MOUTH RAYMOND IN OTHER COUNTRIES OF LATIN AMERICA AND PERHAPS ELSEWHERE. GIVEN FACT THAT RAYMOND'S BID WAS SO MUCH LOWER THAN THAT OF OTHER COMPETITORS, IT WOULD BE EASY FOR GOE TO ASSERT, AND OTHERS TO BELIEVE, THAT RAYMOND'S RENEGE WAS PROMPTED BY EITHER (A) BELIEF ON PART OF RAYMOND THAT IF NEW BIDDING IS HELD RAYMOND COULD SUBMIT MUCH HIGHER OFFER AND STILL WIN THE BID, OR (B) RAYMOND ACTED IN COLLUSION WITH JAPANESE AND/OR DUTCH FIRMS (AS INDICATED IN PARA 3 OF REF A), TO, IN EFFECT, SELL OUT ITS WINNING BID TO THEM AT A HANDSOME PROFIT.

3. PORT AUTHORITIES' ARGUMENTS (PARA 2 OF REF A) RE RAYMOND'S PREVIOUS EXPERIENCE WITH LOCAL SOIL CONDITIONS STRIKES US AS BEING OF SOME WEIGHT, AND PORT AUTHORITIES' WILLINGNESS (PARA 6 OF REF A) TO GUARANTEE AND PAY FOR CONFIDENTIAL

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ADDITIONAL COSTS THAT MAY ARISE FROM POOR SOIL CONDITIONS

APPEARS TO PROVIDE FIRM LEGAL BASIS FOR RAYMOND TO STAND BY ITS BID AND YET BE PROTECTED AGAINST ANY COST ESCALATIONS ARISING FROM SOIL CONDITIONS.

4. EMBASSY IS OF COURSE AWARE THAT THERE MAY BE MUCH MORE TO THIS STORY THAN PORT AUTHORITY OFFICIALS TOLD CONSUL GENERAL IN GUAYAQUIL. WE REQUEST THAT RAYMOND BE ASKED TO SPELL OUT IN MORE DETAIL ITS PRECISE CONCERNS AND REASONS FOR RENEGING. WHATEVER THE CONCERNS AND REASONS, HOWEVER, WE BELIEVE IT SHOULD BE underscored TO RAYMOND THAT THEIR RENEGE WOULD NOT ONLY SEVERELY DAMAGE THEIR INTERNATIONAL REPUTATION, AND PROBABLY CAUSE THEM LOSS OF FUTURE CONTRACTS IN ECUADOR AND ELSEWHERE, BUT ALSO WOULD TEN TO HARM U.S., COMMERCIAL REPUTATION IN ECUADOR (AND WLSEWHERE) IN GENERAL.

5. EMBASSY ALSO BELIEVES THAT, AS INDICATED IN FINALL PARA OF REF A, IT MAY BE USEFUL FOR APPROPRIATE WORLD BANK OFFICIALS TO BE BROUGHT INTO DISCUSSIONS WITH RAYMOND. HOWEVER, IT WOULD SEEM WISE FOR USDOC AND STATE TO DISCUSS THIS MATTER WITH WORLD BANK OFFICIALS AND OBTAIN THEIR VIEWS BFNORE (REPEAT BEFORE) ENTERING INTO DISCUSSIONS WITH RAYMOND. IN VIEW OF SCHEDULED MAY 20 SIGNING OF WORLD BANK LOAN AGREEMENT FOR THIS PROJECT, AND SCHEDULED VISIT TO ECUADOR MAY 25 BY RAYMOND OFFICIALS, WE SUGGEST THIS COURSE OF ACTION BE INITIATATED IMMEDIATELY.

6. EMBASSY BELIEVES THERE WOULD BE NO POINT AS OF NOW IN EMBASSY'S DISCUSSING THIS WITH ECUADOREAN NAVAL OFFICIALS OR ANY OTHER GOE AUTHORITIES, SINCE WE HAVE NO DOUBT THEY FULLY SHARE THE IRE OF THE GUAYAQUIL PORT AUTHORITY, AND SINCE WE HAVE NO ARGUMENTS TO PRESENT IN DEFENSE OF RAYMOND'S RENEGE.

7. PLEASE ADVISE SOONEST.  
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## Message Attributes

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